Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dennis Tubbergen – Special Edition
Retirement Lifestyle Advocates

Date Aired: January 22, 2022

Produced by:

Retirement Lifestyle Advocates
961 Four Mile Road, NW
Grand Rapids, MI 49544

Phone: (866) 921-3613
Email: info@plplanners.com
Website: www.RetirementLifestyleAdvocates.com

This is the Retirement Lifestyle Advocates Radio Program. I'm your host, Dennis Tubbergen. Glad you decided to listen in today. Hey, it is the month of January, which means I have a special report for you prepared especially for the listeners this month.

The report is titled Two Possible Outcomes and it details the two possible policy decisions that the Federal Reserve could make and the economic outcomes that will follow depending on which course of action the Fed would decide to follow. I think you'll find the report to be insightful and most importantly, it'll give you some strategies to consider to help you prepare for either outcome.

When you request the report by visiting the website, RequestYourReport.com, I'll also send you a copy along with the report of the Revenue Sourcing book. The Revenue Sourcing book when it was released was a bestseller on Amazon, and the subtitle of the book is The Retirement Planning Strategy for the Post-Pandemic Economy.

I'll also send you a copy of the best-selling book, The Little Black Book on Social Security Maximization. You might consider all this information a retirement survival kit. I'll be glad to send it all to you when you visit the website, RequestYourReport.com, and tell me where to mail all this information. Again, the website is RequestYourReport.com.

Now, back in 2009, I wrote a book called Economic Consequences. I updated the book in 2011 and I thought on today's program I'd go back and share with you some of the forecasts from that book. I will tell you that some of the forecasts are spot on, some were accurate, but like a weatherman forecasting how many inches of rain one might get, I was off on the details, never imagining that the Fed could create $5 trillion out of thin air without having a hyperinflationary outcome. Now we have inflation, we haven't yet reached hyperinflation.

So, I want to give you just a bit from the book talking about money, talking about the US dollar. From my experience, most people cannot accurately define what money is. Most people can't define what currency is. They use the terms money and currency interchangeably, but they mean two very different things.

See, today's money, today's currency is debt, and I want to explain by giving you a bit from chapter two of the Economic Consequences book. I start out by asking what makes a US dollar worth anything anyway? Why, when you go to the store, does the merchant accept a piece of green paper as payment for your purchases?

When you think about it, it really doesn't make a lot of sense. That piece of paper doesn't have any intrinsic value. If it's got a picture of Ben Franklin and the number 100 printed on it, you can exchange that for $100 worth of goods and services even though that piece of paper is worth pennies. Well, if you carefully examine a piece of US paper currency, right on that note, you'll read the words, this note is legal tender for all debts, public and private.

So why is this legal tender? Because the government says it is and the merchant at the store, the person mowing your lawn, the person shoveling your driveway takes the currency because they believe when they want to go buy something, that merchant is going to take it. They believe that when they go hire someone to perform a service for them, they can use it to make that purchase as well.

So even though the paper that comprises the currency has very little value, everyone that uses the currency simply accepts the fact that everyone else will accept the currency as, as the bill says, legal tender for all debts, public and private.

Now, at one time our currency was linked to something tangible. We've talked about that here on the program frequently. That tangible item to which the US dollar was linked was gold. The almost worthless paper that was a US dollar was exchangeable for a specific amount of gold. It was a claim check, if you will.

At that time when the US dollar was actually backed by gold, citizens knew they could take this note from someone else as payment for goods they sold or services they provided, and they could use it to pay for more goods and services for their own benefit, or they could exchange it for gold.

The US dollar was backed by gold, so at that time it was easy to have faith in the dollar, but now that link has not existed since 1971. So we're into our 52nd year of the dollar being a fiat currency and the dollar being legal tender for all debts public and private, simply because the government tells us it is.

Now, if you want to take your US dollars and buy gold, that is possible, but over time, it takes a lot more US dollars or has taken a lot more US dollars to buy an ounce of gold. Now admittedly, an ounce of gold in price will bounce around, but if you go back to 2009, an ounce of gold was a little under $1,000 and now it's about $2,000. So effectively over this timeframe, it takes twice as many US dollars to buy an ounce of gold as it did.

Now, if you look at today's US dollar, at a very fundamental level, a US dollar today is simply debt that the user of the dollar believes will be repaid. Now, I know that's a weird concept. You've probably always considered the US dollar to be an asset, something that you accumulate for a purchase or something that you set aside in a 401k plan or an IRA plan to use when you retire.

So, this whole idea, this whole notion of the dollar being a liability rather than an asset will seem strange at first, but stay with me. A dollar has value because it's backed by the full faith and credit of the US government. Now, what is the full faith and credit of the US government?

Well, the balance sheet of the government contains almost all liabilities and no significant assets. If the government were a private enterprise, no one would extend it credit or have faith in its ability to continue to exist, but since it's the government we're talking about here and the government has the ability to tax, it's a bit different than considering the financial health of a private entity.

So, for now, a US dollar has value simply because the people using the dollars believe the US government will continue to exist and be solvent. Although since 2009, when I wrote the Economic Consequences book, that belief has weakened. And [inaudible 00:08:31] think about the government and how it [inaudible 00:08:34] exist.

The government exists by levying taxes on productive output. If you have a good year, the government gets a percentage of your good year, the government gets a percentage of your productivity in the form of taxes. If a corporation has a good year, the government once again gets a piece of the action in the form of taxes. Government then is funded by siphoning off economic production. The government doesn't produce anything.

So, at the most basic level, a dollar issued by the government, which is backed by the full faith and credit of the government is really just backed by the government's ability to siphon off the production of American companies and the American people in the form of taxes. A dollar issued today by the government is really a loan issued by the treasury that will be paid off from future domestic production when the government collects taxes on that production.

Now, let's look at this from a little bit of a different perspective. Since the federal government is spending a lot more money than it's taking in, and the Fed, since I wrote the book in 2009, has been aiding and abetting this reckless spending by printing currency to buy the debt of the federal government via quantitative easing programs, a US dollar freshly printed today is nothing more than a loan against future production.

Now the more of these dollars that are printed, the greater the debt. Most all currencies today, in fact, I would say all currencies today are debt. They're not linked to any asset. Every currency in the world today is a fiat currency which has allowed this debt bubble to extend to the level that we now find it extended.

If you have a fiat currency, if the debt in the money system is matched to the system's output, the monetary system you might say is in balance. If the government is spending about what it siphons off of the economic production of the system, in other words, if the government is operating with a balanced budget, the system is in reasonably good balance.

However, the more out of whack this ratio becomes, the bigger the government deficit becomes, the more the government spends over and above what it siphons off economic production, the more likely it is that economic problems will eventually occur. Now, I talked about this in the Economic Consequences book written more than a decade ago.

Now, if the US dollar today is nothing more than debt, I would make the argument that in the context of history, the US dollar is not real money. And I know a lot of intelligent people, I know a lot of colleagues of mine that would make that same argument. So, if the US dollar is not real money, what is real money?

Well, historically speaking, real money has typically been gold and to a lesser extent in some cases other precious metals. When the US dollar was redeemable for gold and was linked to the amount of gold in reserve, the government had to operate in a disciplined manner. It couldn't create currency that it didn't have gold to back.

Today, and I wrote this back in 2009, the government was trying to generate inflation at the time. They wanted to avoid deflation at all costs. Well, for a while the Federal Reserve was successful. It was successful up until 2020 when currency creation, US dollar creation went off the charts, that's when inflation went off the charts as well.

Since 1971 through the early '90s, the inflation rate was about 6%. Now they've changed the way that the inflation rate is calculated, but arguably today the inflation rate is double digits for many, many items. Now I'm going to talk more about this and talk more about what I wrote in 2009 and 2011, and I'll do that more in the next segment.

Before I close this segment though, let me remind you that if you're just joining me, I have available to you the January special report titled Two Possible Outcomes. When you request that report, I will also send you a copy of the best-selling Revenue Sourcing book as well as the best-selling book, The Little Black Book on Social Security Maximization. To get your report and all the bonus information, simply visit RequestYourReport.com. The website again is RequestYourReport.com.

Welcome back to RLA Radio. I'm your host Dennis Tubbergen. I'm chatting today about some forecasts I made in the book Economic Consequences, which was written in 2009 and updated in 2011. And in the first segment I talked to you about the fact that today's currency is debt.

Now, I'll talk more about that in just a moment, but if you're just tuning in, it is the month of January and I do have for you a special January report titled Two Possible Outcomes. The report talks about the two possible outcomes that can occur as a result of the decisions the Federal Reserve makes as far as monetary policy is concerned.

When you order the report by visiting the website, RequestYourReport.com, I'll also send you a copy of the Revenue Sourcing book as well as a copy of the book, The Little Black Book on Social Security Maximization. Again, the website is RequestYourReport.com.

Now, as I said, in the first segment I talked about the fact that fiat currencies are really nothing more than debt. Now, I can prove that point to you by offering you one simple statistic. If you've been a longtime listener to the program, you know I've talked about this statistic on past programs.

Worldwide debt, and keep in mind every currency in the world today is a fiat currency, worldwide debt at the time of the financial crisis, at the time that I wrote the Economic Consequences book was about $100 trillion. Since that time, nearly every central bank around the world has gone to a quantitative easing or currency creation program, and today worldwide debt is 300 trillion.

Now, in the book Economic Consequences, chapter seven was titled Debt Outcomes. See, back in 2009, it was easy to see that the debt accumulation in the private sector and the debt accumulation on the US government's balance sheet was simply unsustainable and at some future point there would be debt outcomes or debt consequences.

I want to give you just a bit from what I wrote in the Economic Consequences book. Here's where I was wrong. I said, I believed at the time that much of the world has reached its capacity for debt. That was somewhat true, but certainly not true in the United States.

When you look at the official US government debt, now, it's over $31 trillion, $31 trillion. And if you take a look at the increase in debt in the private sector, as I just mentioned, you have worldwide debt going from 100 trillion to 300 trillion. So, we have huge amounts of debt that has accumulated since the time of the financial crisis.

Now, the question I asked in 2009 was what lies ahead? How will this significant level of debt be dealt with? While those were important questions to consider in 2009, they're even more important today because we are now getting closer to the end of the road.

Now, I made a statement in chapter seven of the Economic Consequences book, and this was 13 years ago that said this, depending on how public debt is dealt with and which choice is made by policymakers, how will you be affected? And I talked about it in this chapter and what I said was, many economists and analysts differ on what lies ahead economically speaking. What I did say though is I didn't know many that were predicting a robust economy decades into the future. Many analysts were looking at deflation because debt levels were so high.

Now, if you think about it, deflation technically defined is a contraction of the money supply, the contraction of the currency supply. Currency disappears from the financial system. Well, when currency is debt, when debt goes unpaid, currency disappears from the financial system.

So simply put, if all this seems a bit complicated to you, here's what's been going on. The Federal Reserve and other central banks around the world have been creating currency in order to stave off deflation because when you have deflation, stocks crash, real estate's crash, real estate prices crash, you essentially have a reset, and we are now seeing that.

Now, back in 2009, I said, many analysts are looking at deflation or a deflationary depression. Others are predicting inflation, even a hyperinflationary depression environment. I noted at the time, it depended entirely upon what the Federal Reserve decided to do.

Now, quantitative easing began back in 2009. There was a second round in 2010, and at the time the first round of currency creation created $600 billion. That seemed like a lot of money at the time, but now it's not much at all. In fact, as I mentioned, the Fed over just a few years created $5 trillion in new currency out of thin air.

Now, I had interviewed a number of folks back in 2007, '8, '9 on this very radio program including US representative and presidential candidate, Ron Paul, newsletter publisher, Marc Faber, John Williams, they were all predicting inflation. So inflation turned out to be the right choice, the right forecast simply because of the choice that the Fed made. Had the Fed decided not to engage in quantitative easing, the deflation forecasters would've been correct.

Now, Ron Paul, who is now retired, posted this to his website on March 22nd, 2011: "Last week, the subcommittee, which I chair held a hearing on monetary policy and rising prices. Whether we consider food, gasoline or clothing, the cost of living is increasing significantly. True inflation is defined as an increase in the money supply. All other things being equal, an increase in the money supply leads to a rise in prices.

Inflation's destructive effects have ruined societies from the Roman Empire to Weimar Germany to modern day Zimbabwe. Blame for the most recent round of price increases has been laid at the feet of the Federal Reserve's program of credit expansion for the past three years. The current program known as QE2 sought to purchase a total of 900 billion in US treasury debt over a period of eight months.

Roughly $110 billion of newly created money is flooding into commodity markets each month. The price of cotton is up 170% over the past year. Oil is up more than 40%, and many categories of food staples are seeing double digit price growth."

Paul said, "The Fed takes credit for the increase in stock prices, but it claims no responsibility for the increases in food and commodity prices. Most economists fail to understand that inflation is at its root, a monetary phenomenon. There may be other factors that contribute to price increases like famine, flooding, other things, but those effects are transient." Here we have Dr. Paul using the word transient before the Fed adopted it.

So, Paul got it right. He said, "We're entering a high inflation environment and the Fed will likely continue down this path." Now, economist John Williams whom I've interviewed here agrees. I'll talk more about that in the third segment of today's program.

However, if you're just joining me and you'd like to get the January special report dealing with these very issues, it is titled Two Possible Outcomes. When you request the report by going to RequestYourReport.com, I'll send you the report as well as a copy of my Revenue Sourcing book as well as a copy of The Little Black Book on Social Security Maximization. So again that's RequestYourReport.com. I'll be back after these words.

Welcome back to RLA Radio. I'm your host Dennis Tubbergen. Glad you're listening in today. Hey, I'm talking about the Economic Consequences book that I wrote back in 2009 and updated in 2011 and some of the things that I talked about in that book and how many of these things have come to pass.

In fact, in the book I talked about the fact that the Fed would have two options moving ahead, they could create currency which would lead to inflation followed by deflation, or they could simply not create currency and cease and we would get deflation. Seems that those are still the two outcomes that the Fed could potentially create and they have created one. We already have inflation, and we will eventually see that morph into deflation, in my view.

That's the topic of this month's special report titled Two Possible Outcomes. To get your copy of the report, just visit RequestYourReport.com.

In the Economic Consequences book, I talked about some of the forecasts made by economist John Williams. John has been a frequent guest here on the RLA Radio Program, and he believed back in 2009 that the Fed policies would lead to inflation, even hyperinflation, and it seems that Mr. Williams at this point was spot on.

On November 10th, 2010, Mr. Williams released a commentary which discussed the potential effects of the Fed's quantitative easing program. Now, a quantitative easing program is simply currency creation. Well, in his commentary, Mr. Williams stated it was his belief that the process of quantitative easing was a process that was going to be difficult to get away from. In other words, once the Federal Reserve starts to create currency out of thin air, it's going to be very difficult for them to stop. There are numerous historical examples that Mr. Williams relied on, including the Roman Empire, including John Law's France in the early 1700s.

Mr. Williams went so far as to say that this process of quantitative easing or currency creation will have to be accelerated as time passed due to the fact that the more the Federal Reserve creates currency devaluing the US dollar in the process, the more likely that investors holding US government debt and US dollars will dump their holdings. That is exactly what has happened. We have the BRICS countries now talking about rolling out a commodity-based currency. We have China now openly advancing the idea of the petro yuan.

Mr. Williams said at the time that the United States was fundamentally insolvent, and that policymakers would likely deal with the issue by creating more currency rather than making the hard choice, and that is exactly what happened. Now, Williams predicted that we would have hyperinflation by a certain date. That did not happen, but arguably now should the Fed pivot and reverse, which I believe they will, we are on that path.

Williams added a very important point. He notes that this type of inflation will be the worst possible kind because this type of inflation occurs because of economic policy, because of currency creation. It doesn't occur because of consumer demand. And I think that is a very subtle but important point that many analysts simply miss.

In a special report that Williams issued in December of 2009, he stated it was his view that US citizens would experience a hyperinflationary great depression, a collapse in the purchasing power of the US dollar, a collapse in the normal stream of US commercial and economic activity, and a collapse of the financial system as we know it.

Interestingly, in this special report, Williams noted that Greenspan's Federal Reserve made a conscious decision to borrow against future production to fuel the economic expansion that occurred over a 10-year timeframe. Now, in the Economic Consequences book, that was a paraphrase of what Williams actually said.

But Greenspan made a decision to borrow against future production because when you create currency which is debt, you're creating a prosperity illusion, but you're also creating debt that has to be dealt with at some future point. That's something that really goes unnoticed by many analysts and certainly many in the financial industry.

And if you're just joining me, I would invite you to get the January special report titled Two Possible Outcomes. The report deals with the two policy choices the Fed could make from this point on and how your IRA, 401k and dreams of retirement could be affected. To get the report as well as the bonus information, all you need to do is visit the website, RequestYourReport.com. The website again is RequestYourReport.com.

Williams drew a parallel between the banking crisis of 2008 and the banking system collapse of the early 1930s. It was then that many bank depositors lost their assets because of a bank holiday that was essentially a bail-in. In the 1930s, the banks did not get bailed out by the government, there was a bail-in, which simply means the banks kept the deposits of their customers.

Well, that 1930s event made the Great Depression intensify, and it began a period of deflation that lasted for years. This period of deflation followed a period of time known as the Roaring '20s, which was an inflationary environment and a time of debt excesses. You see, King Solomon was right, there really is nothing new under the sun.

So, in 2008, as Williams points out, a decision was made to avoid a deflationary depression and save the banking system at all costs by having the Federal Reserve create currency. That is a policy decision that started in 2008 and has continued off and on to the present time.

Williams stated at the time, it was his opinion that the government would continue to spend until the financial markets rebelled. When that happened, Williams at the time said, the result will be inflation and a continued debasement of the US dollar, and that is exactly what has happened.

Now, interestingly, Williams points out that ever since the gold standard was abandoned in 1971 and the US dollar became a fiat currency, we haven't seen deflation. Instead, only persistent inflation has been seen. Put another way, instead, the dollar has just continued to lose purchasing power.

Williams says that was the fatal mistake because there was no way to impose discipline on our policymakers, that politicians would make the wrong choice, that policymakers would aid and abet the politicians making bad choices, they would continue to create currency and inflation would be the result, and that is exactly what has happened.

Now, the question is if the Fed pivots, if the Fed goes back and starts to create currency again, how much inflation might we see before deflation kicks in, in earnest? And I think looking ahead here we are at the beginning of 2023, it's fair to say this, I think it's fair to say that the Fed will pivot.

I think the Fed will reverse course contrary to what they say now, and I think we will have inflation in consumer items, but I believe we'll have deflation in financial assets. I believe stocks will continue to decline. I believe the real estate market is beginning to decline. So I think we'll move into what I would call a stagflationary environment, inflation in consumer items, deflation in financial assets. That's where I believe we are headed.

The report for this month titled Two Possible Outcomes, talks about that and gives you some strategies to consider for your own financial situation. To get the report visit, RequestYourReport.com. Again, the website, RequestYourReport.com. I'll be back with my final segment after these words.

Welcome back, RLA Radio. I'm your host, Dennis Tubbergen. Glad you're listening in today. Hey, I'm talking about the book that I wrote in 2009 and updated in 2011 called Economic Consequences. In the book, I forecast that we would have inflation followed by deflation or we would go straight to deflation.

We have followed the first course here based on the choices that the Fed has made as far as monetary policy is concerned, and these forecasts were really made after studying history, this historical cycle I talked about in the book. And in this segment, this last segment, I want to just share with you this cycle.

Now, this cycle does not take place quickly, it takes place over decades. Step one of the cycle is that you have a sound money system that's used for commerce. Gold and silver are money. Then the second step is that this sound money system is weakened almost always because politicians over-promise and they need to fund these promises. Now, when it comes to funding political promises, there are only three choices. Politicians can raise taxes, they can cut spending, or they can create currency.

Now, at a certain point when the promises made by politicians get large enough, it seems that creating currency always becomes the choice, and currency creation is always put forth initially as a temporary measure. In Weimar Germany, perhaps one of the most famous hyperinflations, or I should say infamous hyperinflations ever, Germany justified the use of the printing press to fund the war, and it would be done only temporarily.

After the financial crisis, Ben Bernanke suggested they would engage in a temporary program of quantitative easing. Well, the fourth step is temporary always becomes permanent, and currency creation grows exponentially. It happened in Weimar Germany and it's happening here.

Currency creation then creates a series of bubbles and busts, and each subsequent bust is worse than the prior bust. Eventually, currency creation doesn't work, and the currency is destroyed or almost destroyed by massive currency devaluation and inflation is rampant. And then finally a reset occurs, and a sound money system is adopted.

Now, as I go through those steps, you can see that we now have inflation. Depending on how you want to define rampant inflation, we may have that as well. Certainly, if the fed pivots, I believe we will have even more inflation.

Now, if you look at the example of Weimar Germany, Germany had a system of sound money. It was weakened, and then to fund the war, Germany said they would temporarily use the printing press. Well, it didn't take too long, and this currency creation caused [inaudible 00:37:38] ... During the war, however, the German government did use extensive propaganda to attempt to hide the inflation from the population. It censored information heavily. Perhaps that sounds familiar to the present situation to some of you.

Every German stock exchange was closed for the duration of the war, so the effect of these policies on stocks was unknown. Foreign exchange rates were not published. Only when the war was over did it become clear to all that Germany had already had an economic disaster that was nearly as ugly as the military disaster of the war.

German soldiers began to desert the military because of the bad economy. A German newspaper attributed Germany's loss of the war, partly to the fact that soldiers were abandoning the front to return home and support their families because of rapidly increasing inflation.

After the war, the Treaty of Versailles, which ended the war imposed huge reparations on Germany. The payment demands made of Germany were so great that Germany could never realistically pay with honest money. So, what did they do? They continued to do the only thing they knew how to do, which was create currency and inflation set in.

It's interesting how hyperinflations progress, inflations start slowly, hyperinflations advance quickly. By September of 1920, prices in Germany were 12 times as high as they had been before the war. By the autumn of 1920, the strains on the economy in the wake of the war were apparent, but employment was still fairly strong, yet prices kept rising. By the autumn of 1920, food had accounted for half the family budget immediately after the war, but now it was three quarters of the family budget.

Germany was still pressured to make their reparations, so they continued to create currency at an even faster pace. You know what happened eventually, by 2022, moving into 2023, inflation evolved to hyperinflation. December of 1922, there were 35,000 German marks to one British pound. One month later, there were 227,000 German marks to one British pound.

Finally, in September of 1923, 9 months later, the German chancellor declared a state of emergency and put Germany under military rule. Finally, in November of 1923, a couple months after that, Germany introduced a new currency called the Rentenmark, which would be backed by land and industrial goods.

Now, there are many, many examples of this cycle that have existed historically. John Law's France in the early 1700s, France in the late 1700s prior to Napoleon's rise to power, the Roman Empire. There are many, many historical examples of currency creation.

While these incidents of currency creation have occurred at different times and in different countries, they all have one thing in common, once the currency creation starts, it's never temporary and it only works until it doesn't. So, I believe based on where we are today and what history tells us that we will see the Fed pivot, I believe that we will see more currency creation and more easy money policies moving ahead.

To prepare yourself, I would invite you to once again, go to RequestYourReport.com and ask that we send you our free resources being offered here during the month of January. You'll get a copy of the January special report titled Two Possible Options.

You'll also get a copy of the best-selling Revenue Sourcing book. The Revenue Sourcing book contains the retirement planning strategy for the post pandemic economy. You'll also get a copy of the Social Security Maximization book, as well as some other resources. Again, go to RequestYourReport.com. Let me know where to mail that information to you, and I will be very glad to do so.

Let me also remind you as I close this segment that we have an entire website literally loaded with free resources. Go to retirementlifestyleadvocates.com. You can listen to all the past podcasts there. You can also subscribe to or read the weekly Portfolio Watch newsletter, this newsletter that I put out every week to clients and friends that covers a different economic topic, gives you my take on what's going on in the markets.

And at that website, retirementlifestyleadvocates.com, you can also watch the Headline Round-Up Replay. Every Monday I do an alternative newscast. It's live at noon. There's information on the site as to how you can participate as well. That newscast lasts a half hour, and all the newscasts are posted there every Monday night at five o'clock.

Again, the live newscast is at noon. The replay is posted at retirementlifestyleadvocates.com at five o'clock on Monday. And you can go back and there's a couple years’ worth of Headline Round-Up newscasts on that website. You can go back and just take a look at some of the things that I was talking about a year ago and see how some of this stuff has evolved. So again, a lot of free resources there, retirementlifestyleadvocates.com.

That's my program for this week. Hope you got something you can use. I'll be back again next week with a more traditional format. Have a terrific week.